

**STATEMENT OF
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DEPARTMENT OF VETERANS AFFAIRS (VA)
BEFORE THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
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Chairman Coffman, ranking member Kirkpatrick, distinguished members of the subcommittee, I am pleased to appear here this afternoon to update the subcommittee on the Department of Veterans Affairs' (VA) continuing efforts to improve construction procedures and planning processes to ensure timely execution of major construction projects. Joining me this afternoon is Stella Fiotes, Executive Director, Construction and Facilities Management, OALC.

The Department's infrastructure programs which include major and minor construction, non-recurring maintenance, and leasing are part of our ongoing mission to care for and memorialize our Nation's Veterans. We are committed to meeting our responsibility to design, build, and deliver quality facilities as tools to meet the demand for access to health care and benefits.

VA has made significant improvements in its real property capital asset portfolio to provide state of the art facilities to meet the needs of Veterans, allowing for the highest standard of service. We have taken on the challenge of updating our aging infrastructure to allow for management of increased workload demands; changing

Veteran patient demographics; advances in medical technology; new complex treatment protocols and advanced procedures; delivering patient-centered care and services closer to where Veterans live; and evolving Federal requirements.

The focus of my testimony today is on VA's major construction program – our program identification, process improvements and challenges, and accomplishments. This will provide you a perspective of how we deliver VA's major construction projects.

Program Identification

The Strategic Capital Investment Planning (SCIP) process was implemented with the fiscal year (FY) 2012 budget. This Department-wide planning process prioritizes the Department's future capital investment needs to strategically target VA's limited resources to most effectively improve the delivery of services and benefits to Veterans, their families and survivors by addressing VA's most critical infrastructure needs and performance gaps and investing wisely in VA's future. Using this approach, VA has visibility across its entire real property portfolio and is able to synchronize the projects we undertake in our major infrastructure programs to address our most critical needs. As part of this, VA has identified critical milestones for review in the life-cycle of a project from the planning and programming stages to the disposition of a facility when it is no longer functional for its purpose or needed to fulfill the mission.

Process Improvements

VA has taken several steps to improve the management and oversight of major construction projects. In 2009, the VA Facility Management (VAFM) transformation initiative was established to improve planning processes; integrate construction and facility operations; and standardize the construction process. VAFM identified a need for the following:

1. An enterprise approach to integrated master planning - Plans were piloted in 2011 and are moving to full operation;
2. Systems for project management - VA procured a collaborative project management software system in 2012 and is completing phase one fielding and will complete fielding in 2014. This software supports leases, major construction, minor construction as well as non-recurring maintenance (NRM), and;
3. Post occupancy evaluations (POE) - The POE program, piloted in 2012, is now standard practice for the major construction program and is expanding to the minor construction program. POE evaluates the completed construction to assure closure of all gaps and deficiencies noted in the approved project scope.

In April 2012, as a follow on to the VAFM initiative, the Secretary of Veterans Affairs established the Construction Review Council (CRC) to serve as the single point of oversight and performance accountability for the planning, budgeting, execution, and management of the Department's real property capital asset program. Chaired by the Secretary, the CRC identified findings to improve performance in four major areas:

1. Development of requirements - Add rigor to the requirements development phase of the project and complete 35 percent of a project's design prior to requesting major construction funds. This assures that full requirements are identified early, designed, costed and managed through the construction cycle which results in more complete cost estimates and scopes in VA's budget submissions.
2. Design Quality - VA has also implemented policy requiring constructability reviews as part of every design review. These reviews identify design errors and omissions prior to construction allowing the design to be corrected, thereby reducing changes during construction.
3. Funding - VA is implementing an integrated approach to activation and funding to assure the project construction program is coordinated with information technology (IT) and medical equipment budgets and plans. This identifies the funding and planning for the procurement of medical equipment and IT infrastructure, and incorporating major equipment delivery and installation into the master construction schedule.
4. Program Management and Automation - VA continues to educate and certify project managers and deploy modern collaborative tools for project management to ensure project cost, scope, and schedule growth is controlled.

Further, VA has implemented the findings of the December 2009 Government Accountability Office's (GAO) report on "VA Construction: VA is Working to Improve Estimates, but Should Analyze Cost and Schedule Risks" and now performs risk analysis for potential cost and schedule delays as part of the project design process.

The recommendations in the May 2013 GAO report on "VA Construction: VA Additional Actions Needed to Decrease Delays and Lower Costs of Major Medical-Facility Projects" are improvements that were also previously identified and are currently being addressed.

Challenges and Accomplishments

VA bears the responsibility to manage all projects efficiently and to be good stewards of the resources entrusted to us by Congress and the American people.

Last year we briefed the House Veterans Affairs Committee on the construction of the new VA medical center in Orlando. The Orlando project includes 134 inpatient beds, an outpatient clinic, a 120-bed community living center, a 60-bed domiciliary, parking garages, and support facilities all located on a new site. VA expects to serve nearly 113,000 Veteran enrollees. The construction project has advanced from approximately 50% completion a year ago to approximately 80 percent today. While the project has been challenged by design errors and omissions, medical equipment coordination, and contractor performance, VA remains committed to working with our contractor to ensure a quality project is delivered to meet the needs of Veterans and their families.

The lessons learned from Orlando and past major construction projects are guiding us in our management of the Denver and New Orleans replacement hospitals. Both complexes will be full-service tertiary care medical centers that include specialty care; outpatient clinics; inpatient services; central energy plant and parking structures; as well as other support services. Both facilities are under construction with completion dates

of 2015 and 2016 respectively. Lessons learned have resulted in increased staff to assure timely project and contract administration; partnering sessions that include VA and the construction and design contractors; early involvement of the medical equipment planning and procurement teams; and engagement in executive level on-site project reviews. VA will continue to provide regular updates to the Congressional Committees to ensure you are fully informed on the progress of these medical centers.

While VA's major construction program has encountered challenges, it has also completed and delivered significant projects for Veterans in the past five years. In FY 2012 and FY 2013 to date, VA has delivered nearly \$1 billion worth of facilities. This includes 16 medical facilities, including the new Las Vegas hospital, and five new cemeteries or cemetery expansions, the vast majority of which were delivered without construction delay and within the appropriated funds. VA continues work to complete 52 major construction projects to provide the much needed facilities for our Veterans and their families.

Conclusion

VA has a strong history of delivering facilities to accomplish our mission to serve Veterans. We continually seek innovative ways to further improve our ability to design and construct state-of-the-art facilities for Veterans and their families and we regularly engage in forums composed of both the private and public sectors that discuss best practices and challenges in today's construction industry. The lessons learned from our past construction projects will continue to lead to improvements in the management and

execution of our capital program as we move forward. Thank you for the opportunity to testify before the committee today. I look forward to answering any questions the Committee has regarding these issues.